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TASHKENT PASS DAS SPRATLEN, DEPARTMENT FOR SCA/CEN

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TAGS: [EAID](#) [ECON](#) [EINV](#) [PREL](#) [PGOV](#) [PHUM](#) [TI](#)  
SUBJECT: TAJIKISTAN - SCENE SETTER FOR APRIL 1-3 VISIT BY  
DAS PAMELA SPRATLEN

Classified By: AMBASSADOR TRACEY JACOBSON, 1.4 (B) AND (D)

11. (U) Embassy Dushanbe looks forward to the upcoming visit by DAS Pamela Spratlen. Following is a brief overview of the current situation in Tajikistan, and our thoughts on the key issues DAS Spratlen will confront during her visit.

#### Political and Economic Overview

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12. (C) President Rahmon continues to consolidate his hold over the government by ensuring that individuals from his home district hold most of the top ministerial, law enforcement, and revenue-related positions. Since the President's re-election in November 2006, most members of the opposition have been removed from positions of authority, reneging on one of the key provisions ending the civil war. Rahmon and his appointees continue to argue that stability is paramount, and that reform is a slow process. They view democratic reforms as destabilizing, and have taken steps to control all aspects of civil society in Tajikistan, while beginning a personality cult around the President. Government officials are committed to protecting their own financial and political interests. However, the leadership faces long-term challenges. Tajiks under the age of 25 (over half the population) are more religious than older generations, and their views are not swayed by the civil war experience. Although religious extremism is not currently a major threat, worsening economic conditions and government restrictions on religious practices are alienating the country's young people, and threaten long-term stability.

13. (C) The Government relies on revenue from aluminum producer Tajik Aluminum Company (Talco). State-owned and non-transparent, Talco also serves as the President's cash cow; analyses in the press of production versus revenues suggest that a large part of Talco's revenue is diverted to ends unknown. Talco in turn survives on below-market price electricity from state-owned Barki Tojik. Barki Tojik does not get enough revenue to keep its infrastructure from deteriorating and failing. With deteriorating public services and economic conditions, much of the population relies on remittances from Tajiks working abroad.

14. (C) Government officials have failed to implement an effective or coherent macroeconomic policy. Inflation in 2007 reached 18%, and prices for basic foodstuffs increased 50-100%. International investors do not view Tajikistan as a

viable place to do business. American energy company AES closed its Tajikistan office in January, because it did not see the Government as likely to conclude a power purchasing agreement with Afghanistan and Pakistan in the near future. What foreign investment there is, is state-sponsored or directed from Iran, China, and Russia. Entities such as the Committee on Investments and State Property are ineffective, and the Agency to Fight Corruption and Economic Crimes appears to be merely a tool to attack business rivals of government leaders.

15. (C) The agricultural sector is dominated by cotton production. Cotton is not commercially viable, and is kept artificially alive to the benefit of a few politically-connected investors. With government-backed loans, they have re-loaned money to farmers for cotton inputs, used local officials to coerce farmers to plant cotton, paid them below market rates for cotton crops, and then kept the profits generated by this unfair, semi-feudal system. Farmers go further into debt, and agricultural modernization lags. Over the past winter much of rural Tajikistan has faced a growing food shortage, as the unusually harsh winter combined with mounting debts and rapidly increasing food prices has forced rural families to sell tools and livestock to survive. Unusually severe winter weather, combined with government hesitation on settling a new land-ownership law, delayed sowing of the next cotton crop (while long-standing policy prevented the planting of other crops, of course), so that Tajikistan next year will face a greatly reduced cotton crop, resulting loss in farm incomes, and likely more severe economic disruptions in rural areas and the banking sector. Inputs and credit for other crops are limited, so the next agricultural season looks bleak for Tajikistan. Tajikistan is highly dependent on

imports for its food supply and is vulnerable to the ongoing worldwide food price increases. We expect food shortages to worsen.

#### Areas of Cooperation, and their Limits

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16. (C) Bridge: Use of the Tajikistan-Afghanistan bridge at Nizhny Pyanj is growing. About 200 trucks a day now cross the bridge going north, and the Tajik side recently agreed to increase operations to 12 hours per day. Obstacles to full use of the bridge remain; there are still no provisions for pedestrian traffic, and it remains difficult for Afghans to obtain a Tajik visa. At a recent trilateral meeting at the bridge, Tajik MFA representatives said the MFA planned to open a consulate in Kunduz, and possibly a visa operation at the bridge itself - then said they looked to the United States to fund construction of these facilities. The inspection facilities at either end of the bridge are almost complete, and will be turned over to Afghanistan in early April. The Tajikistan hand-over will be delayed slightly because we are awaiting additional furniture and equipment; construction may also continue on a larger commercial customs facility on the Tajik side pending DOD funding. U.S. Customs advisors plan to spend time mentoring Tajik counterparts at the bridge later this year.

17. (C) Narcotics: Cooperation on narcotics continues to be a relative bright spot, but only superficially. While the Tajiks seize more narcotics than other central Asian states, they are not willing to take on the arrest and prosecution of narcotics smuggling ring leaders, some of whom are politically well-connected.

18. (C) Security Cooperation: Security Cooperation remains a strong part of our relationship, as we pursue shared interests in Afghanistan. The Tajik military is opening up to cooperation with Afghanistan. The Tajik Military Institute intends to begin training 30 officers from Afghanistan in Spring 2008. This seems to be a sincere effort to assist in the process of building stability in Afghanistan, and stands in sharp contrast to the Tajik Border

Guards' refusal to allow joint training with Afghan counterparts. Tajikistan has also accepted the Global Peacekeeping Operations Initiative, funded at \$1.5 million, with additional follow-on funding of up to \$3.6 million, and formed an interagency commission to explore the standup of a peace keeping unit. The commission will meet with DAO and ODC later in 2008 to formulate next steps.

Key Issues for Your Visit: The IMF, OSCE, and NDI  
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¶9. (C) IMF/Assistance: In the wake of the latest misreporting scandal with the IMF, relations with international financial institutions have reached a new low. The Government, seeking another IMF bailout, has agreed to an audit of the Central Bank. However former Bank Chairman Alimardon, now Deputy Prime Minister for Agriculture (area sector in which he is a major investor), reportedly continues to coerce farmers to plant cotton, and banks to loan money to farmers only for cotton, despite the President's declarations of "freedom to farm." A banking crisis is looming; the Government has reportedly given banks money which they must loan to cotton farmers and then must repay to the Government at 14% interest - but the banks expect up to 90% of these loans to go bad.

¶10. (C) Presidential Economics Adviser Davlatov, when asked how Alimardon continues in a senior government position after misreporting to the IMF, said it was necessary to offer him a good position after the Central Bank fiasco in order to keep him from leaving the country with his wealth. Government officials have begun to see declining support for financial assistance, because of Alimardon's transfer to be Deputy Prime Minister, and because of the ongoing lavish spending on prestige projects (palaces, dachas, and possibly a new VIP Boeing), while the government simultaneously asks for large amounts of unconditional aid. Presidential advisers, in turn, have expressed anger at what they perceive as our "failure" to support them in the IMF. They do not see any contradiction between spending on palaces, buying Boeings, and simultaneously seeking unconditional financial assistance.

¶11. (C) Assistance in response to the winter power and food crisis continues to arrive, including planeloads of relief supplies from Saudi Arabia and train tank cars of fuel oil from Iran. The Government has insisted that all relief aid be turned over to it for distribution by Tajik authorities, a condition we and some other donors have refused. Government officials have also told us in the last few days that most relief supplies received by the Government are languishing in warehouses, as the Government does not have effective distribution mechanisms. The food crisis of the winter is not over, it will likely be worse next winter, may be accompanied by another power crisis, and the Government has taken few visible steps to improve its capacity to face such crises.

¶12. (C) OSCE: The OSCE mandate in Tajikistan expires June 30. The Tajik proposal for a renewed mandate is unacceptable to us. It includes increasing support for security and economic programs, but no mention of development of democratic institutions or market reforms. It also calls for a Tajik national to be the deputy head of the OSCE mission, an arrangement that no OSCE mission has, and for MFA operational control over the mission's activities. The Tajik proposal envisions the OSCE as a donor and humanitarian aid organization, and the net effect of the proposal would be to gut the OSCE's ability to work on human rights and democracy issues here. The Chairman in Office (Finland) has circulated its own draft mandate, which preserves the human dimension. The Finnish Foreign Minister has written to President Rahmon to make clear that the Finnish draft will be the basis for negotiation, but the Tajiks have not accepted this. The Finnish Foreign Minister will visit Tajikistan on April 15 as part of a central Asian tour, to press the issue with President Rahmon. At the same time, the OSCE is planning for implementation of its Border Management Initiative, including

development of a national border strategy, equipment and training for Tajik and Afghan border guards, and improving customs operations along the border with China. The OSCE is also considering a regional Border staff college or "center of excellence" to be based in Tajikistan, which might be used as a stepping stone to OSCE programs in Afghanistan. We are stressing that implementation of the new OSCE Border Management Initiative must be tied to an acceptable OSCE mandate.

¶13. (C) National Democratic Institute (NDI): NDI's last application for registration was refused on March 18. The reasons for the denial were specious, including rejection of documents the Government had previously accepted. The State Committee for National Security opposes NDI's presence in Tajikistan, and blocks registration. State Committee officers have told NDI staff that as with Freedom House, "nothing will happen to Tajikistan" if NDI is forced to leave. The letter NDI Chairman Albright sent to President Rahmon urging registration, delivered to the Presidency on March 12, may not have actually reached the President. NDI has agreed to delay a public event announcing its departure and drawing attention to the Tajik Government's opposition to Qand drawing attention to the Tajik Government's opposition to political pluralism, until after your visit, to give us one last chance to try to reverse the Government's course.

Comment: Different Visions of the Relationship  
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¶14. (C) An MFA official recently commented to us that security issues were the "real relationship" between Tajikistan and the United States, and that human rights and economic reform were window dressing. We have found this viewpoint prevalent in much of the Tajik government below the top levels, and it helps explain why NDI can't get registered and businesses and investors face many obstacles and much interference once established. And while the President and Ministers seek foreign investment and economic development, they do not always know how to make it happen or understand the obstacles the Government itself imposes. Some try to convince us that investment and trade are not business matters, but rather matters of national prestige and strategic competition among the west, Russia, and China. Getting Tajikistan's leaders to understand our interests in seeing Tajikistan diversify politically and economically, for the stability and prosperity of the region, is therefore a

difficult and slow process, although a critically important one. Your visit will help influence leadership thinking here at a key time, as the Tajik leadership decides how to respond to the latest IMF misreporting and the related financial crisis, what to do about the OSCE mandate renewal, and what steps to take to avoid another food and energy crisis next winter. End Comment.

¶15. (U) Post will forward suggested talking points on these issues and briefing material for meetings to DAS Spratlen by email.  
JACOBSON